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CANADIAN POWER & PAPER SECURITIES LIMITED

Fourteenth Annual Report to the Shareholders

For the Year Ended 31st July, 1966

CANADIAN POWER & PAPER SECURITIES LIMITED

1245 SHERBROOKE STREET WEST, MONTREAL, QUEBEC

DIRECTORS

W. A. Arbuckle, C.A.
President of the Company

R. R. McLernon
President, Acer, McLernon Inc.

P. W. Berrigan
Secretary-Treasurer of the Company

Jean Simard
Vice-President, Marine Industries Limited

John E. L. Duquet, Q.C.
*Senior Partner, Duquet, MacKay,
Weldon, Bronstetter, Willis & Johnston*

P. N. Thomson
Vice-President of the Company

T. Rodgie McLagan, O.B.E.
Chairman, Canada Steamship Lines, Limited

R. L. Weldon, O.B.E.
Chairman, Bathurst Paper Limited

W. Howard Wert, C.A.
*President, International
Bronze Powders Limited*

OFFICERS

W. A. Arbuckle, C.A.
President

P. W. Berrigan
Secretary-Treasurer

P. N. Thomson
Vice-President

C. F. Reid
Assistant Secretary-Treasurer

AUDITORS

TOUCHE, ROSS, BAILEY & SMART, CHARTERED ACCOUNTANTS,
Montreal, Quebec

CANADIAN POWER & PAPER SECURITIES LIMITED

DIRECTORS' REPORT

To the Shareholders:

Your Directors present the Fourteenth Annual Report of the Company for the year ended 31st July, 1966.

Profits for the year totalled \$778,666 and, after allowing for a full year's Preferred dividend, were equal to \$1.11 per Common share as compared with 42 cents for the preceding year. The Common dividend was increased from 35 cents to 50 cents per share, payable 8th September, 1966.

The value of the Company's assets, taking investments at combined value as noted on the Balance Sheet and after deducting all liabilities including funded debt, amounted to \$17,256,967 at 31st July, 1966, as compared with \$16,749,286 at the end of the preceding fiscal year. The break-up value per Common share after deducting the Preferred shares at the redemption price of 105%, was equivalent to \$25.14 at 31st July, 1966, as against \$24.27 at the previous year end.

Changes made in the investment holdings during the year resulted in a surplus over book cost of \$620,735, which amount was transferred to the credit of Investment Reserve.

At the end of June Eastern Canada Stevedoring (1963) Ltd. became a wholly-owned subsidiary through the acquisition of the other 50% interest for \$2,900,000. Your attention is drawn to Note 2 in the Financial Statements relating to the treatment of the accounts of the subsidiary.

In the opinion of your Directors this subsidiary is expected to continue its satisfactory record of growth and earnings.

At a Meeting of the Board held on 25th July, 1966, By-law No. 6 was enacted changing the fiscal year end of your Company from 31st July to 31st December to coincide with the year ends of most of the companies in which your Company is interested. You will be asked to sanction this By-law at the forthcoming Annual General Meeting of Shareholders.

The Books and Accounts of your Company have been audited by Messrs. Touche, Ross, Bailey & Smart, Chartered Accountants, whose report is attached.

Respectfully submitted on behalf of the Board,

W. A. ARBUCKLE,
President.

Montreal, Que., 20th October, 1966.

CANADIAN POWER & P

BALANCE SHEET

ASSETS

31ST JULY
1965

INVESTMENTS, at average cost

Quoted securities	\$ 8,599,174	\$10,298,869
Unquoted securities	221,916	2,889,396
	8,821,090	13,188,265
Wholly-owned subsidiary company	5,087,300	—
	13,908,390	13,188,265

RECEIVABLES	638,298	116,393
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NOTES

1. The investments had a combined value at 31st July, 1966, of \$19,777,766 based on a market value of \$14,468,550 of quoted securities and average cost of others.
2. On 29th June, 1966, Eastern Canada Stevedoring (1963) Ltd., whose fiscal year ended on 28th February, 1966, became a subsidiary of the company through acquisition of additional common shares of capital stock of the subsidiary. The assets, liabilities, income and expenses of this subsidiary are not included in the financial statements of the company because: (a) the subsidiary's fiscal year ended on 28th February, 1966, and thus during the time it was a subsidiary there was no financial period coinciding with or ending in the fiscal year of the company; (b) there are not available audited financial statements of the subsidiary covering the period from 29th June to 31st July, 1966; and (c) the disclosure of earnings for the period from 29th June to 31st July, 1966, may not be representative of a full fiscal year and thus could be misleading.
3. Transactions in United States funds have been converted at exchange rates current on the settlement dates of the relative transactions.

Signed on behalf of the Board:

W. A. ARBUCKLE, Director.

JOHN E. L. DUQUET, Director.

\$14,546,688

\$13,304,658

AUDITORS' REPORT

We have examined the accompanying balance sheet of Canadian Power & Paper Securities Limited as at 31st July, 1966 and the statements of income and expenditure, investment reserve and surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Montreal, Que., 28th September, 1966.

ER SECURITIES LIMITED

31st JULY, 1966

LIABILITIES

		31ST JULY 1965
DIVIDEND PAYABLE ON COMMON SHARES	\$ 290,976	\$ 203,683
BANK LOAN	355,000	170,000
ACCOUNTS PAYABLE	13,121	21,809
5% DEBENTURES MATURING 2nd JANUARY, 1967	2,500,000	2,500,000

CAPITAL

Cumulative redeemable preferred shares of \$25 par value, issuable in series:

Authorized — 200,000 shares

Issued — 100,000 shares

\$1.30 Series "A" redeemable at 105% 2,500,000 2,500,000

Common shares of no par value:

Authorized — 1,000,000 shares

Issued — 581,952 shares 2,935,638 2,935,638

INVESTMENT RESERVE 4,653,883 4,033,148

EARNED SURPLUS 1,298,070 940,380

\$14,546,688

\$13,304,658

SHAREHOLDERS

In our opinion the aforementioned financial statements present fairly the financial position of the company as at 31st July, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, ROSS, BAILEY & SMART,
Chartered Accountants.

CANADIAN POWER & PAPER SECURITIES LIMITED

STATEMENT OF INCOME, EXPENDITURE AND EARNED SURPLUS

For the year ended 31st July, 1966

INCOME FROM INVESTMENTS		\$ 943,733
EXPENDITURE		
General	\$ 18,440	
Directors' fees	5,550	
Legal fees	1,104	
Management fee	10,000	
	<hr/>	
	35,094	
Debenture interest	125,000	
	<hr/>	160,094
		<hr/>
		783,639
TAXES ON INCOME		4,973
		<hr/>
NET INCOME		778,666
ADD		
Earned surplus at 31st July, 1965		940,380
		<hr/>
DEDUCT		1,719,046
Dividends on preferred shares	130,000	
Dividend on common shares	290,976	
	<hr/>	420,976
		<hr/>
EARNED SURPLUS AT 31st JULY, 1966		<u>\$1,298,070</u>

STATEMENTS OF CAPITAL SURPLUS AND INVESTMENT RESERVE

For the year ended 31st July, 1966

	Capital Surplus	Investment Reserve
BALANCE AT 31st JULY, 1965	\$ —	\$4,033,148
Surplus realized on changes in investments	620,735	—
	<hr/>	
	620,735	4,033,148
Transfer of capital surplus	620,735	620,735
	<hr/>	
BALANCE AT 31st JULY, 1966	<u>\$ —</u>	<u>\$4,653,883</u>

CANADIAN POWER & PAPER SECURITIES LIMITED

INVESTMENT PORTFOLIO AT 31st JULY, 1966

	Common Shares	Preferred Shares	Notes (Principal Amount)	Quoted at Market Value	Unquoted at Average Cost	Percentages
FINANCE — 50.82%						
Laurentide Financial Corporation Ltd.	—	1,000	—	\$ 24,500	\$ —	0.12
Power Corporation of Canada, Limited	50,000	789,170	—	10,026,540	—	50.70
PULP AND PAPER — 17.21%						
Bathurst Paper Limited	90,000	—	—	2,655,000	—	13.42
Consolidated Paper Corporation Limited . . .	20,000	—	—	750,000	—	3.79
OTHER INVESTMENTS — 6.25%						
Canadian Arena Company	300	300	—	105,000	3,000	0.55
International Bronze Powders Limited	—	5,573	—	127,510	—	0.65
Marco Island Development Corporation	1,900	—	152,000	—	218,916	1.11
Northern and Central Gas Company Limited .	60,000	—	—	780,000	—	3.94
SUBSIDIARY COMPANY — 25.72%						
Eastern Canada Stevedoring (1963) Ltd. . . .	105,000	30,000	—	—	5,087,300	25.72
				<hr/>	<hr/>	<hr/>
				\$14,468,550	\$5,309,216	100.00%
				<hr/>	<hr/>	<hr/>

CANADIAN POWER & PAPER SECURITIES LIMITED

COMPARATIVE STATISTICS 1962-1966

	1966	1965	1964	1963	1962
Income from investments \$	943,733	545,123	404,760	363,254	317,849
Operating expense \$	35,094	26,568	16,904	17,729	14,950
Debenture interest \$	125,000	125,000	125,000	125,000	104,167
Taxes on income \$	4,973	19,296	3,394	3,917	2,264
Net income \$	778,666	374,259	259,462	216,608	196,468
Common shares outstanding . .	581,952	581,952	581,952	581,952	581,952
Earned per common share . . . \$	1.11	0.42	0.43	0.37	0.33
Declared per common share . . \$	0.50	0.35	0.35	0.30	0.25
Dividends paid or declared on:					
Preferred shares \$	130,000	138,500 ⁽¹⁾	—	—	—
Common shares \$	290,976	203,683	203,683	174,586	145,488
Capital stock:					
\$1.30 preferred shares (\$25 p.v.) \$	2,500,000	2,500,000	2,500,000 ⁽²⁾	—	—
Common (no par value) . . . \$	2,935,638	2,935,638	2,935,638	2,935,638	2,935,638
Debentures outstanding \$	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Investments:					
Cost	\$13,908,390	13,188,265	12,017,278	8,856,668	7,805,536
Value	\$19,777,766	19,528,385	19,034,463	12,891,716	8,813,741
Break-up value per common share \$	25.14	24.27	23.79	17.82	10.70
Investment reserve \$	4,653,883	4,033,148	3,117,768	2,548,177	1,475,253

(1) For the period from 8th July, 1964 (date of issue) to 31st July, 1965.

(2) Shares issued on 8th July, 1964.

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CANADIAN POWER & PAPER SECURITIES LIMITED

Fifteenth Annual Report to the Shareholders

For the Five Months Ended 31st December, 1966



**CENTENNIAL
CANADIAN
CONFEDERATION**

CANADIAN POWER & PAPER SECURITIES LIMITED

1245 SHERBROOKE STREET WEST, MONTREAL, QUEBEC

DIRECTORS

W. A. Arbuckle, C.A.
President of the Company

R. R. McLernon
President, Acer, McLernon Inc.

P. W. Berrigan
Secretary-Treasurer of the Company

Jean Simard
Vice-President, Marine Industries Limited

John E. L. Duquet, Q.C.
*Senior Partner, Duquet, MacKay,
Weldon, Bronstetter, Willis & Johnston*

P. N. Thomson
Vice-President of the Company

T. Rodgie McLagan, O.B.E.
Chairman, Canada Steamship Lines, Limited

R. L. Weldon, O.B.E.
Chairman, Bathurst Paper Limited

W. Howard Wert, C.A.
*President, International
Bronze Powders Limited*

OFFICERS

W. A. Arbuckle, C.A.
President

P. W. Berrigan
Secretary-Treasurer

P. N. Thomson
Vice-President

C. F. Reid
Assistant Secretary-Treasurer

AUDITORS

TOUCHE, ROSS, BAILEY & SMART, CHARTERED ACCOUNTANTS,
Montreal, Quebec

CANADIAN POWER & PAPER SECURITIES LIMITED

DIRECTORS' REPORT

To the Shareholders:

Your Directors present the Fifteenth Annual Report of the Company covering the period of five months ended 31st December, 1966. The change in the fiscal year end of the Company from 31st July to 31st December was sanctioned by the shareholders at the last Annual General Meeting.

Net income amounted to \$266,214 and, after allowing for five months Preferred dividend, was equal to 36 cents per Common share. A dividend of 25 cents per Common share was declared payable 8th March, 1967.

The net asset value of the Company as at 31st December, 1966, amounted to \$15,361,129 taking investments at combined value as noted on the Balance Sheet. After adjusting for the proportionate amount of Preferred dividends applicable to the 1967 fiscal year and deducting the Preferred shares at the redemption price of 105% the break-up value per Common share was equal to \$21.96. This compares with a break-up value of \$25.14 per Common share on 31st July, 1966.

In January, 1967, the outstanding \$2,500,000 5% Debentures matured and were repaid and \$3,000,000 5½% Income Debentures due 6th January, 1972, were sold at par.

The Books and Accounts of your Company have been audited by Messrs. Touche, Ross, Bailey & Smart, Chartered Accountants, whose report is attached.

Respectfully submitted on behalf of the Board,

W. A. ARBUCKLE,
President.

Montreal, Que., 7th April, 1967

CANADIAN POWER & PAPER SECURITIES LIMITED

BALANCE SHEET AS AT

ASSETS

		31st JULY 1966
INVESTMENTS, at average cost (Note 1)		
Quoted securities	\$ 8,636,114	\$ 8,599,174
Unquoted securities	258,636	221,916
	<u>8,894,750</u>	<u>8,821,090</u>
Wholly-owned subsidiary company (Note 2)	5,087,300	5,087,300
	<u>13,982,050</u>	<u>13,908,390</u>
RECEIVABLES	611,575	638,298

NOTES

1. The investments had a combined value at 31st December, 1966, of \$17,947,300 based on a market value of \$12,601,364 of quoted securities and average cost of others.
2. The assets, liabilities, income and expenses of the wholly-owned subsidiary, Eastern Canada Stevedoring (1963) Ltd., are not included in the financial statements of the Company because the subsidiary is an operating company whereas Canadian Power & Paper Securities Limited is an investment company. In the circumstances, the Directors of the Company have decided it is more appropriate to keep the accounts separate but they wish to report that the profit of the subsidiary for its fiscal period ended 31st December, 1966, amounted to \$909,517. \$105,000 was received by the Company as a dividend and taken into income during the five months ended 31st December, 1966.
3. In January, 1967, the \$2,500,000 5% debentures matured and were repaid and \$3,000,000 of 5½% income debentures maturing on 6th January, 1972, were issued and sold at par.
4. Transactions in United States funds have been converted at exchange rates current on the settlement dates of the relative transactions.

Signed on behalf of the Board:

JOHN E. L. DUQUET, Director

P. W. BERRIGAN, Director

\$14,593,625

\$14,546,688

AUDITORS' REPORT

We have examined the accompanying balance sheet of Canadian Power & Paper Securities Limited as at 31st December, 1966, and the statements of income and expenditure, investment reserve and surplus for the five months ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Montreal, Que., 23rd March, 1967

PER SECURITIES LIMITED

31st DECEMBER, 1966

LIABILITIES

31st JULY
1966

DIVIDENDS PAYABLE	\$ 210,488	\$ 290,976
BANK LOAN	408,000	355,000
ACCOUNTS PAYABLE	79,258	13,121
5% DEBENTURES MATURING 2nd JANUARY, 1967 (Note 3) . .	2,500,000	2,500,000

CAPITAL

Cumulative redeemable preferred shares of \$25
par value, issuable in series:

Authorized — 200,000 shares

Issued — 100,000 shares

\$1.30 Series "A" redeemable at 105% 2,500,000 2,500,000

Common shares of no par value:

Authorized — 1,000,000 shares

Issued — 581,952 shares 2,935,638 2,935,638

INVESTMENT RESERVE 4,638,945 4,653,883

EARNED SURPLUS 1,321,296 1,298,070

\$14,593,625

\$14,546,688

THE SHAREHOLDERS

In our opinion the aforementioned financial statements present fairly the financial position of the company as at 31st December, 1966, and the results of its operations for the five months ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, ROSS, BAILEY & SMART,
Chartered Accountants.

CANADIAN POWER & PAPER SECURITIES LIMITED

STATEMENT OF INCOME, EXPENDITURE AND EARNED SURPLUS

For the five months ended 31st December, 1966

INCOME FROM INVESTMENTS		
(including \$105,000 from subsidiary)		\$ 339,791
EXPENDITURE		
General	\$ 15,802	
Directors' fees	1,425	
Management fee	4,167	
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	21,394	
Debenture interest	52,083	73,477
		<hr/>
		266,314
TAXES ON INCOME		100
NET INCOME		<u>266,214</u>
ADD		
Earned surplus at 31st July, 1966		1,298,070
		<hr/>
		1,564,284
DEDUCT		
Dividends on preferred shares:		
Paid 31st October, 1966	32,500	
Payable 31st January, 1967	32,500	
Payable 30th April, 1967	32,500	
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	97,500	
Dividend on common shares payable 8th March, 1967	145,488	242,988
		<hr/>
EARNED SURPLUS AT 31st DECEMBER, 1966		<u><u>\$1,321,296</u></u>

STATEMENTS OF CAPITAL SURPLUS AND INVESTMENT RESERVE

For the five months ended 31st December, 1966

	Capital Surplus	Investment Reserve
BALANCE AT 31st JULY, 1966	\$ —	\$4,653,883
Prior years' adjustment of surplus realized on changes in investments	(14,938)	—
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	(14,938)	4,653,883
Transfer to capital surplus	14,938	(14,938)
	<hr/>	
BALANCE AT 31st DECEMBER, 1966	<u><u>\$ —</u></u>	<u><u>\$4,638,945</u></u>

CANADIAN POWER & PAPER SECURITIES LIMITED

INVESTMENT PORTFOLIO AT 31st DECEMBER, 1966

	Common Shares	Preferred Shares	Notes (Principal Amount)	Quoted at Market Value	Unquoted at Average Cost	Percentages
FINANCE — 46.37%						
Laurentide Financial Corporation Ltd. . .	—	1,000	\$ —	\$ 14,880	\$ —	0.08
Power Corporation of Canada, Limited . .	50,000	792,775	—	8,307,617	—	46.29
PULP AND PAPER — 18.23%						
Consolidated Paper Corporation Limited .	20,000	90,000	—	3,271,500	—	18.23
Consolidated Paper Corporation Limited .	45,000 ⁽¹⁾	—	—			
OTHER INVESTMENTS — 7.05%						
Canadian Arena Company	300	300	—	94,500	3,000	0.54
International Bronze Powders Limited . .	—	5,573	—	110,067	—	0.61
Marco Island Development Corporation . .	1,900	—	186,000	—	255,636	1.43
Northern and Central Gas Company Limited	60,000	—	—	802,800	—	4.47
SUBSIDIARY COMPANY — 28.35%						
Eastern Canada Stevedoring (1963) Ltd. .	105,000	30,000	—	—	5,087,300	28.35
				<u>\$12,601,364</u>	<u>\$5,345,936</u>	<u>100.00%</u>

(1) Stock purchase warrants.

CANADIAN POWER & PAPER SECURITIES LIMITED

COMPARATIVE STATISTICS 1963-1966

	Five months ended 31st December, 1966	Years ended 31st July			
		1966	1965	1964	1963
Income from investments . . . \$	339,791	943,733	545,123	404,760	363,254
Operating expense \$	21,394	35,094	26,568	16,904	17,729
Debenture interest \$	52,083	125,000	125,000	125,000	125,000
Taxes on income \$	100	4,973	19,296	3,394	3,917
Net income \$	266,214	778,666	374,259	259,462	216,608
Common shares outstanding .	581,952	581,952	581,952	581,952	581,952
Earned per common share . . \$	0.36	1.11	0.42	0.43	0.37
Declared per common share . . \$	0.25	0.50	0.35	0.35	0.30
Dividends paid or declared on:					
Preferred shares \$	97,500 ⁽³⁾	130,000	138,500 ⁽¹⁾	—	—
Common shares \$	145,488	290,976	203,683	203,683	174,586
Capital stock:					
\$1.30 preferred shares (\$25 p.v.) \$	2,500,000	2,500,000	2,500,000	2,500,000 ⁽²⁾	—
Common (no par value) . . . \$	2,935,638	2,935,638	2,935,638	2,935,638	2,935,638
Debentures outstanding . . . \$	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Investments:					
Cost \$	13,982,050	13,908,390	13,188,265	12,017,278	8,856,668
Value \$	17,947,300	19,777,766	19,528,385	19,034,463	12,891,716
Break-up value per common share \$	21.96	25.14	24.27	23.79	17.82
Investment reserve \$	4,638,945	4,653,883	4,033,148	3,117,768	2,548,177

(1) For the period from 8th July, 1964 (date of issue) to 31st July, 1965.

(2) Shares issued on 8th July, 1964.

(3) Comprises dividends paid 31st October, 1966, and declared payable 31st January and 30th April, 1967.